



TOWNSHIP OF GARFIELD
Bay County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2005

09-1050

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Garfield	County Bay
Audit Date March 31, 2005	Opinion Date May 14, 2005	Date Accountant Report Submitted to State: May 14, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature Campbell, Kusterer & Co., P.C.			

TOWNSHIP OF GARFIELD
Bay County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

May 14, 2005

To the Township Board
Township of Garfield
Bay County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Garfield, Bay County, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Garfield's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Garfield, Bay County, Michigan as of March 31, 2005, and the respective changes in financial position thereof, for the year ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of April 1, 2004.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF GARFIELD
Bay County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2005

The Management's Discussion and Analysis report of the Township of Garfield covers the Township's financial performance during the year ended March 31, 2005.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Overall total capital assets remained approximately the same.

Overall revenues were \$385,144.06 from governmental activities with a \$125,225.86 decrease in net assets and a loss of 5% in revenue sharing.

Taxable value increased by approximately \$1,642,510.00 or 6.0%.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of the basic financial statements and required supplementary information.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole. The statement of net assets includes all the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

All of the activities of the Township are reported as governmental activities. These include the General Fund, the Fire Fund, the Trash Fund, the Hall Fund and the Liquor Fund.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

During the year a replacement bridge was completed with a total cost of \$864,256.00 with the Township paying \$183,556.00. We purchased approximately \$45,000.00 in Fire Department supplies and paid for it with a FEMA Grant.

Our cash position in governmental activities remain stable.

Our long-term debt principal totals \$476,573.04; \$135,073.87 for a fire truck, \$205,025.94 for the new Township Hall and \$136,473.23 for road work.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services. The most significant are roads which incurred expenses of approximately \$202,020.24.

TOWNSHIP OF GARFIELD
Bay County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2005

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities paid \$128,107.74 of principal on long-term debt.

New road contracts payable totaled \$167,148.22.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents 40% of our income. We continue to grow at a 6% rate in taxable values.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is intended to provide our taxpayers and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report, please contact the Township Supervisor at 1138 West Erickson Road, Linwood, Michigan 48634, or call (989) 879-2552, ext. 222.

TOWNSHIP OF GARFIELD
Bay County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2005

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	225 877 94
Taxes receivable	<u>18 405 39</u>
Total Current Assets	<u>244 283 33</u>
NONCURRENT ASSETS:	
Capital Assets	786 054 00
Less: Accumulated Depreciation	<u>(112 616 72)</u>
Net Capital assets	<u>673 437 28</u>
TOTAL ASSETS	<u><u>917 720 61</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>5 482 07</u>
Total Current Liabilities	<u>5 482 07</u>
NONCURRENT LIABILITIES:	
Notes payable	330 099 81
Contracts payable	<u>136 473 23</u>
Total Noncurrent Liabilities	<u>466 573 04</u>
Total Liabilities	<u>472 055 11</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	343 337 47
Unrestricted	<u>102 328 03</u>
Total Net Assets	<u>445 665 50</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>917 720 61</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GARFIELD
Bay County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2005

		Program Revenue		Governmental Activities
				Net (Expense) Revenue and Changes in Net Assets
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants - Contributions</u>	
FUNCTIONS/PROGRAMS				
Governmental Activities:				
Legislative	9 624 50	-	-	(9 624 50)
General government	96 962 22	13 385 80	-	(83 576 42)
Public safety	105 335 97	-	41 432 00	(63 903 97)
Public works	270 789 02	66 990 00	-	(203 799 02)
Culture and recreation	5 307 76	-	-	(5 307 76)
Interest on long-term debt	<u>22 350 45</u>	<u>-</u>	<u>-</u>	<u>(22 350 45)</u>
Total Governmental Activities	<u>510 369 92</u>	<u>80 375 80</u>	<u>41 432 00</u>	<u>(388 562 12)</u>
General Revenues:				
Property taxes				117 633 21
State revenue sharing				137 810 03
Interest				1 727 30
Miscellaneous				<u>6 165 72</u>
Total General Revenues				<u>263 336 26</u>
Change in net assets				(125 225 86)
Net assets, beginning of year				<u>570 891 36</u>
Net Assets, End of Year				<u>445 665 50</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GARFIELD
Bay County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2005

	<u>General</u>	<u>Trash</u>	<u>Fire</u>	<u>Other Funds</u>
<u>Assets</u>				
Cash in bank	44 864 30	65 450 68	114 987 44	574 52
Taxes receivable	4 145 26	7 596 00	6 664 13	-
Due from other funds	<u>1 00</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>49 010 56</u>	<u>73 046 68</u>	<u>121 651 57</u>	<u>574 52</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Accounts payable	<u>-</u>	<u>5 482 07</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>5 482 07</u>	<u>-</u>	<u>-</u>
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	<u>49 010 56</u>	<u>67 564 61</u>	<u>121 651 57</u>	<u>574 52</u>
Total fund equity	<u>49 010 56</u>	<u>67 564 61</u>	<u>121 651 57</u>	<u>574 52</u>
Total Liabilities and Fund Equity	<u>49 010 56</u>	<u>73 046 68</u>	<u>121 651 57</u>	<u>574 52</u>

The accompanying notes are an integral part of these financial statements.

Total

225 876 94

18 405 39

1 00

244 283 33

5 482 07

5 482 07

238 801 26

238 801 26

244 283 33

TOWNSHIP OF GARFIELD
Bay County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2005

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	238 801 26
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	786 054 00
Accumulated depreciation	(112 616 72)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Notes payable	(330 099 81)
Contracts payable	(136 473 23)
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>445 665 50</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GARFIELD
Bay County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year ended March 31, 2005

	<u>General</u>	<u>Trash</u>	<u>Fire</u>	<u>Other Funds</u>
Revenues:				
Property taxes	39 001 16	-	78 632 05	-
Federal grant	-	-	41 432 00	1 076 90
State revenue sharing	136 733 13	-	-	-
Charges for services - PTAF	10 417 80	-	-	-
Charges for services - other	2 968 00	-	-	-
Interest	1 409 10	98 07	213 41	6 72
Special assessments	-	66 990 00	-	-
Miscellaneous	4 312 72	-	1 798 00	55 00
Total revenues	<u>194 841 91</u>	<u>67 088 07</u>	<u>122 075 46</u>	<u>1 138 62</u>
Expenditures:				
Legislative:				
Township Board	9 624 50	-	-	-
General government:				
Supervisor	10 522 48	-	-	-
Elections	2 556 57	-	-	-
Assessor	5 896 00	-	-	-
Clerk	10 596 92	-	-	-
Board of Review	1 300 50	-	-	-
Treasurer	10 518 00	-	-	-
Building and grounds	9 554 92	-	-	-
Cemetery	5 530 91	-	-	-
Unallocated	37 439 52	-	-	-
Public safety:				
Liquor control	-	-	-	1 308 68
Fire services	-	-	81 646 05	-
Road patrol	508 35	-	-	-
Planning Commission	4 405 85	-	-	-
Ambulance	1 843 00	-	-	-
Public works:				
Highways and streets	202 020 24	-	-	-
Street lights	1 938 67	-	-	-
Sanitation	-	63 105 27	-	-
Drains	3 724 84	-	-	-
Culture and recreation:				
Recreation	5 107 76	-	-	-
Debt service	122 333 53	-	28 124 66	-
Total expenditures	<u>445 422 56</u>	<u>63 105 27</u>	<u>109 770 71</u>	<u>1 308 68</u>
Excess (deficiency) of revenues over expenditures	<u>(250 580 65)</u>	<u>3 982 80</u>	<u>12 304 75</u>	<u>(170 06)</u>

The accompanying notes are an integral part of these financial statements.

Total

117 633 21
41 432 00
137 810 03
10 417 80
2 968 00
1 727 30
66 990 00
6 165 72

385 144 06

9 624 50

10 522 48
2 556 57
5 896 00
10 596 92
1 300 50
10 518 00
9 554 92
5 530 91
37 439 52

1 308 68
81 646 05
508 35
4 405 85
1 843 00

202 020 24
1 938 67
63 105 27
3 724 84

5 107 76
150 458 19

619 607 22

(234 463 16)

TOWNSHIP OF GARFIELD
Bay County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year ended March 31, 2005

	<u>General</u>	<u>Trash</u>	<u>Fire</u>	<u>Other Funds</u>
Other financing sources (uses):				
Loan proceeds	167 148 22	-	-	-
Operating transfers in	9 981 58	-	-	-
Operating transfers out	-	-	-	(9 981 58)
Total other financing sources (uses)	<u>177 129 80</u>	<u>-</u>	<u>-</u>	<u>(9 981 58)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(73 450 85)	3 982 80	12 304 75	(10 151 64)
Fund balances, April 1	<u>122 461 41</u>	<u>63 581 81</u>	<u>109 346 82</u>	<u>10 726 16</u>
Fund Balances, March 31	<u><u>49 010 56</u></u>	<u><u>67 564 61</u></u>	<u><u>121 651 57</u></u>	<u><u>574 52</u></u>

The accompanying notes are an integral part of these financial statements.

Total

167 148 22

9 981 58

(9 981 58)

167 148 22

(67 314 94)

306 116 20

238 801 26

TOWNSHIP OF GARFIELD
Bay County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended March 31, 2005

NET CHANGES IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS (67 314 94)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense (18 870 44)
Capital Outlay -

Repayment of debt principal is an expenditure in the governmental funds, the repayment does not have an effect in the statement of activities but does reduce the debt balance in the statement of net assets.

Principal payments on long-term debt 128 107 74

Receipt of debt principal in the form of loan proceeds is a financing source in the governmental funds, the receipt does not have an effect in the statement of activities but does increase the debt balance in the statement of net assets

Principal receipts on long-term debt (167 148 22)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (125 225 86)

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GARFIELD
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Garfield, Bay County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Garfield. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF GARFIELD
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Funds

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes are accrued in the year in which they are levied. The tax levy is recorded as deferred revenue until the subsequent year when it becomes available for use.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2004 tax roll millage rate was 3.6099 mills, and the taxable value was \$32,592,266.00.

TOWNSHIP OF GARFIELD
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$5,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	75-100 years
Furniture and equipment	10-50 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting Change

Effective April 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Township's activities have been provided.

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling \$673,437.28.

TOWNSHIP OF GARFIELD
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>225,877.94</u>

TOWNSHIP OF GARFIELD
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 3 – Deposits and Investments (continued)

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	100 429 88
Uninsured and Uncollateralized	<u>126 123 89</u>
Total Deposits	<u><u>226 553 77</u></u>

The Township of Garfield did not have any investments as of March 31, 2005.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance 4/1/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/05</u>
<u>Governmental Activities:</u>				
Land	105 500 00	-	-	105 500 00
Buildings	289 000 00	-	-	289 000 00
Equipment	<u>391 554 00</u>	<u>-</u>	<u>-</u>	<u>391 554 00</u>
Total	786 054 00	-	-	786 054 00
Accumulated Depreciation	<u>(93 746 28)</u>	<u>(18 870 44)</u>	<u>-</u>	<u>(112 616 72)</u>
Net Capital Assets	<u><u>692 307 72</u></u>	<u><u>(18 870 44)</u></u>	<u><u>-</u></u>	<u><u>673 437 28</u></u>

Note 5 – Pension Plan

The Township has a defined contribution pension plan covering all full time employees. The Township contributes an amount of each employee's annual salary to the plan. The net pension expense for the fiscal year ended March 31, 2005, was \$9,102.55.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

The Township of Garfield does not issue building permits.

TOWNSHIP OF GARFIELD
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 9 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	1 00	Current Tax Collection	1 00
Total	<u>1 00</u>	Total	<u>1 00</u>

Note 10 – Changes in Long-Term Debt

A summary of changes in long-term debt follows:

	<u>Balance 4/1/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/05</u>
Note payable – fire truck	155 434 77	-	20 360 90	135 073 87
Note payable – hall	217 387 28	-	12 361 34	205 025 94
Contracts payable – roads	<u>64 710 51</u>	<u>167 148 22</u>	<u>95 385 50</u>	<u>136 473 23</u>
Total	<u>437 532 56</u>	<u>167 148 22</u>	<u>128 107 74</u>	<u>476 573 04</u>

Note 11 – Note Payable – Fire Truck

During the year 2000-2001, the Township acquired a fire truck tanker costing \$232,000.00. After a down-payment of \$25,000.00, the balance of \$207,000.00 was financed through Citizens Bank. The scheduled annual payments of \$28,124.66 are due on October 19 during each of the next ten years. The interest rate is 5% per annum. The principal balance outstanding on March 31, 2005, was \$135,073.87.

Note 12 – Note Payable – Hall

During the year 2000-2001, the Township built a Township Hall at a cost of approximately \$250,000.00. The hall was financed with a \$250,000.00 loan from Citizens Bank. The first annual payment was due July 6, 2001, for \$26,388.79. Subsequent annual payments for the next three years are \$28,948.03. A balloon payment of \$190,190.98 is due July 6, 2005, to pay off the loan. The interest rate is 4.5%. The principal balance outstanding on March 31, 2005, was \$205,025.94.

Note 13 – Contracts Payable – Roads

The Township of Garfield entered into several contracts with the Bay County Road Commission to finance various road improvements. The contracts require annual payments in varying amounts. As of March 31, 2005, the principal balance on these contracts payable was \$136,473.23.

Note 14 – Operating Transfers

The amounts of interfund transfers are as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
General	9 981 58	Hall	9 981 58
Total	<u>9 981 58</u>	Total	<u>9 981 58</u>

TOWNSHIP OF GARFIELD
Bay County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	37 343 08	37 343 08	39 001 16	1 658 08
State revenue sharing	137 274 00	137 274 00	136 733 13	(540 87)
Charges for services:				
Property tax administration	9 786 53	9 786 53	10 417 80	631 27
Other	3 300 00	3 300 00	2 968 00	(332 00)
Interest	1 010 00	1 010 00	1 409 10	399 10
Miscellaneous	6 026 98	6 026 98	4 312 72	(1 714 26)
Total revenues	<u>194 740 59</u>	<u>194 740 59</u>	<u>194 841 91</u>	<u>101 32</u>
Expenditures:				
Legislative:				
Township Board	11 100 00	11 100 00	9 624 50	(1 475 50)
General government:				
Supervisor	11 000 00	11 000 00	10 522 48	(477 52)
Elections	2 600 00	2 600 00	2 556 57	(43 43)
Assessor	5 896 00	5 896 00	5 896 00	-
Clerk	11 000 00	11 000 00	10 596 92	(403 08)
Board of Review	1 400 00	1 400 00	1 300 50	(99 50)
Treasurer	11 000 00	11 000 00	10 518 00	(482 00)
Building and grounds	9 600 00	9 600 00	9 554 92	(45 08)
Cemetery	5 500 00	6 250 00	5 530 91	(719 09)
Unallocated	37 100 00	37 600 00	37 439 52	(160 48)
Public safety:				
Road patrol	600 00	600 00	508 35	(91 65)
Planning Commission	6 000 00	6 000 00	4 405 85	(1 594 15)
Ambulance	2 000 00	2 000 00	1 843 00	(157 00)
Public works:				
Highways and streets	235 253 97	234 003 97	202 020 24	(31 983 73)
Street lights	2 200 00	2 200 00	1 938 67	(261 33)
Drains	4 000 00	4 000 00	3 724 84	(275 16)
Culture and recreation:				
Recreation	7 000 00	7 000 00	5 107 76	(1 892 24)
Debt service	<u>125 000 00</u>	<u>125 000 00</u>	<u>122 333 53</u>	<u>(2 666 47)</u>
Total expenditures	<u>488 249 97</u>	<u>488 249 97</u>	<u>445 422 56</u>	<u>(42 827 41)</u>
Excess (deficiency) of revenues over expenditures	<u>(293 509 38)</u>	<u>(293 509 38)</u>	<u>(250 580 65)</u>	<u>42 928 73</u>

TOWNSHIP OF GARFIELD
Bay County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Other financing sources (uses):				
Loan proceeds	167 148 22	167 148 22	167 148 22	-
Operating transfers in	-	-	9 981 58	9 981 58
Total other financing sources (uses)	<u>167 148 22</u>	<u>167 148 22</u>	<u>177 129 80</u>	<u>9 981 58</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(126 361 16)	(126 361 16)	(73 450 85)	52 910 31
Fund balance, April 1	<u>126 361 16</u>	<u>126 361 16</u>	<u>122 461 41</u>	<u>(3 899 75)</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>49 010 56</u>	<u>49 010 56</u>

TOWNSHIP OF GARFIELD
Bay County, Michigan

BUDGETARY COMPARISON SCHEDULE – FIRE FUND
Year ended March 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	75 286 88	75 286 88	78 632 05	3 345 17
Federal grant	41 000 00	41 000 00	41 432 00	432 00
Interest	-	-	213 41	213 41
Miscellaneous	-	-	1 798 00	1 798 00
Total revenues	<u>116 286 88</u>	<u>116 286 88</u>	<u>122 075 46</u>	<u>5 788 58</u>
Expenditures:				
Public safety:				
Fire	86 169 81	86 169 81	81 646 05	(4 523 76)
Debt service	<u>30 117 07</u>	<u>30 117 07</u>	<u>28 124 66</u>	<u>(1 992 41)</u>
Total expenditures	<u>116 286 88</u>	<u>116 286 88</u>	<u>109 770 71</u>	<u>(6 516 17)</u>
Excess (deficiency) of revenues over expenditures	-	-	12 304 75	12 304 75
Fund balance, April 1	-	-	<u>109 346 82</u>	<u>109 346 82</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>121 651 57</u>	<u>121 651 57</u>

TOWNSHIP OF GARFIELD
Bay County, Michigan

BUDGETARY COMPARISON SCHEDULE – TRASH FUND
Year ended March 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Special assessments	64 368 00	64 368 00	66 990 00	2 622 00
Interest	-	-	98 07	98 07
Total revenues	<u>64 368 00</u>	<u>64 368 00</u>	<u>67 088 07</u>	<u>2 720 07</u>
Expenditures:				
Public works:				
Sanitation	<u>64 368 00</u>	<u>64 368 00</u>	<u>63 105 27</u>	<u>(1 262 73)</u>
Total expenditures	<u>64 368 00</u>	<u>64 368 00</u>	<u>63 105 27</u>	<u>(1 262 73)</u>
Excess (deficiency) of revenues over expenditures	-	-	3 982 80	3 982 80
Fund balance, April 1	<u>-</u>	<u>-</u>	<u>63 581 81</u>	<u>63 581 81</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>67 564 61</u>	<u>67 564 61</u>

TOWNSHIP OF GARFIELD
Bay County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS
March 31, 2005

<u>Assets</u>	<u>Liquor</u>	<u>Hall</u>	<u>Trash</u>	<u>Fire</u>
Cash in bank	574 52	-	65 450 68	114 987 44
Taxes receivable	-	-	7 596 00	6 664 13
Total Assets	<u>574 52</u>	<u>-</u>	<u>73 046 68</u>	<u>121 651 57</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	-	-	5 482 07	-
Total liabilities	<u>-</u>	<u>-</u>	<u>5 482 07</u>	<u>-</u>
Fund balances:				
Unreserved:				
Undesignated	574 52	-	67 564 61	121 651 57
Total fund balances	<u>574 52</u>	<u>-</u>	<u>67 564 61</u>	<u>121 651 57</u>
Total Liabilities and Fund Balances	<u>574 52</u>	<u>-</u>	<u>73 046 68</u>	<u>121 651 57</u>

Total

181 012 64
14 260 13

195 272 77

5 482 07
5 482 07

189 790 70
189 790 70

195 272 77

TOWNSHIP OF GARFIELD
Bay County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
ALL SPECIAL REVENUE FUNDS
Year ended March 31, 2005

	<u>Liquor</u>	<u>Hall</u>	<u>Trash</u>	<u>Fire</u>
Revenues:				
Property taxes	-	-	-	78 632 05
Special assessments	-	-	66 990 00	-
Federal grant	-	-	-	41 432 00
State revenue sharing	1 076 90	-	-	-
Interest	1 95	4 77	98 07	213 41
Miscellaneous	55 00	-	-	1 798 00
Total revenues	<u>1 133 85</u>	<u>4 77</u>	<u>67 088 07</u>	<u>122 075 46</u>
Expenditures:				
Public safety:				
Liquor control	1 308 68	-	-	-
Fire services	-	-	-	81 646 05
Public works:				
Sanitation	-	-	63 105 27	-
Debt service	-	-	-	28 124 66
Total expenditures	<u>1 308 68</u>	<u>-</u>	<u>63 105 27</u>	<u>109 770 71</u>
Excess (deficiency) of revenues over expenditures	<u>(174 83)</u>	<u>4 77</u>	<u>3 982 80</u>	<u>12 304 75</u>
Other financing sources (uses):				
Operating transfers out	-	(9 981 58)	-	-
Total other financing sources (uses)	<u>-</u>	<u>(9 981 58)</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(174 83)</u>	<u>(9 976 81)</u>	<u>3 982 80</u>	<u>12 304 75</u>
Fund balances, April 1	<u>749 35</u>	<u>9 976 81</u>	<u>63 581 81</u>	<u>109 346 82</u>
Fund Balances, March 31	<u>574 52</u>	<u>-</u>	<u>67 564 61</u>	<u>121 651 57</u>

Total

78 632 05

66 990 00

41 432 00

1 076 90

318 20

1 853 00

190 302 15

1 308 68

81 646 05

63 105 27

28 124 66

174 184 66

16 117 49

(9 981 58)

(9 981 58)

6 135 91

183 654 79

189 790 70

TOWNSHIP OF GARFIELD
Bay County, Michigan

CURRENT TAX COLLECTION FUND STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended March 31, 2005

	<u>Balance 4/1/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/05</u>
<u>Assets</u>				
Cash in Bank	<u>1 00</u>	<u>968 701 01</u>	<u>968 701 01</u>	<u>1 00</u>
<u>Liabilities</u>				
Due to other funds	1 00	179 744 70	179 744 70	1 00
Due to others	<u>-</u>	<u>788 956 31</u>	<u>788 956 31</u>	<u>-</u>
Total Liabilities	<u>1 00</u>	<u>968 701 01</u>	<u>968 701 01</u>	<u>1 00</u>

TOWNSHIP OF GARFIELD
Bay County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year ended March 31, 2005

Cash on hand and in bank – beginning of year	<u>1 00</u>
Cash receipts:	
Property taxes and assessments	959 020 47
Property tax administration	9 577 94
Interest	<u>102 60</u>
Total cash receipts	<u>968 701 01</u>
Total beginning balance and cash receipts	<u>968 702 01</u>
Cash disbursements:	
Township General Fund	48 480 78
Township Trash Fund	59 296 00
Township Fire Fund	71 967 92
Bay Metro	22 331 95
Bay County	502 877 08
Bay Arenac Intermediate School District	147 518 38
Pinconning Area Schools	55 299 85
Delta College	<u>60 929 05</u>
Total cash disbursements	<u>968 701 01</u>
Cash on Hand and in Bank – End of Year	<u><u>1 00</u></u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

May 14, 2005

To the Township Board
Township of Garfield
Bay County, Michigan

We have audited the financial statements of the Township of Garfield for the year ended March 31, 2005. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Garfield in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Garfield
Bay County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which was required to be implemented for the fiscal year ended March 31, 2005. The implementation of this pronouncement for the Township of Garfield began with the year ended March 31, 2005. The daily operations and recording transactions did not change significantly, however, the Township is required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2005.

To the Township Board
Township of Garfield
Bay County, Michigan

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants